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IN THIS ISSUE:

Speeches —

Remarks prepared for delivery by Secretary of Agriculture John R. Block before the American Meat Institute's Public Affairs Conference, Washington, D.C., May 24, 1982

Excerpts from remarks prepared for delivery by Under Secretary of Agriculture Seeley Lodwick before the U.S. Agricultural Attache Conference, Bonn, West Germany, May 24, 1982

Remarks prepared for delivery by C.W. McMillan, assistant secretary of agriculture for marketing and inspection services, before the American Meat Institute, Washington, D.C., May 24, 1982

Testimony —

Statement by Deputy Secretary Richard E. Lyng before the Senate Subcommittee on Agriculture, Nutrition and Forestry, May 27, 1982

Issue Briefing Paper —

Mineral Exploration and Leasing in Wilderness

News Releases —

Tests Planned on Shipping More Cattle by Rail

April Food CPI Up Slightly Due Mainly to Higher Meat and Fruit Prices

USDA Requests Comments on 1983 Wheat Program, Crop Acreage Base Determinations

Big Step Taken Toward Preventing Coccidiosis in Chickens

U.S.-USSR Spring Grain Consultation Completed

New System Proposed for Approval of Meat and Poultry Labels

Japan Eases Restrictions on California Produce

IN THIS ISSUE: —continued inside cover

IN THIS ISSUE: —continued

New USDA Food Stamp Program Reporting and Budgeting System Announced

USDA Moves to Improve Accountability in School Lunch Applications

USDA Issues Changes in Sugar Purchase Program

Speeches

U.S. Department of Agriculture • Office of Governmental and Public Affairs

Remarks prepared for delivery by Secretary of Agriculture John R. Block before the American Meat Institute's Public Affairs Conference, Washington, D.C., May 24, 1982

Today I'll be discussing some issues that are of interest to you, but first let me say a few words about the general economic situation in agriculture.

I'm certain you've all heard talk about the "farm crisis". . .you've heard about agriculture being at its lowest depth since the great depression. There are a lot of these horror stories going around. Some are true. . .but many more have been exaggerated.

That's not to say we haven't been in a valley. But before our reactions become over-reactions—we have to be clear about what caused the problem. . .what our options are. . .and what direction we are heading. We have to stay clear of accepting artificial cures that could lead to deeper problems.

The real challenge for agriculture is this: We have to keep moving forward! We are not ones who stand still. . .peek around the corner. . .and hope to see that light at the end of the tunnel. The real challenge is to know that agriculture is the light. . .and there's a nation waiting to see what it's going to do.

When I talk about agriculture, I'm talking about much more than just the people who operate our nation's farms and ranches. Instead, I'm talking about the agricultural industry as a whole—from production through distribution.

Let me tell you about a couple of things that make me especially happy and positive about the future. It makes me optimistic when I see work going on such as what the American Meat Institute is doing. For example, you have a tremendous program in your promotions of beef and pork. You are telling the American people the positive story about red meats—and stories like that can't be told too often.

Your Institute is also making it's voice heard here in Washington. I'm certain you have tried in the past, but the difference now is that we are hearing you. Your industry and government are now as partners,

because we all realize that the key to real success has to be cooperation. I'm looking forward to much more of this.

Just look at what's happening in agriculture now. Cattle prices are making their first sustainable profit since mid-1979. Hog prices have risen about a third since the beginning of the year, and the poultry industry has turned the corner. These are encouraging signs, especially since we know that livestock represents 50 percent of our total gross farm income. Corn, wheat and soybean prices have also strengthened since March.

I realize, however, that when we say livestock prices are good—well, it depends on which side of the fence you're standing. Right now your industry is in a pinch. You haven't achieved the profitability you would like. I am aware of that, but at the same time we have to understand that your industry would suffer much more if other sectors were not allowed to find economic stability. I'm certain that you also realize that.

I also believe we all know that real prosperity must be gained through increased sales of our products, especially overseas.

All of you have an interest in what is going on right now in our trade relationship with the European Community. It's no secret that our government is very concerned. Our basic problem with the Community comes when they shift the burden of their price supports onto farmers outside the Community. The Community is spending \$7 billion—half of its agricultural budget—to subsidize exports.

We have taken the EC to the General Agreement on Tariffs and Trade (GATT) to resolve Section 301 complaints by U.S. producers and traders protesting unfair trade practices involving wheat flour, poultry meat, canned fruit and raisins, citrus, pasta products and sugar. GATT procedures dealing with these complaints have not been completed.

Last month, I sent a personal letter to the head of the EC Council of Ministers, stating that implementation of an EC proposal for a tariff quota on corn gluten would bring an immediate U.S. response, and I'm pleased to say that the Council has laid aside the proposal, at least temporarily.

We are seriously concerned, also, by import restrictions imposed by Japan on many U.S. agricultural products. Japan is a valued customer—our leading single country market—but we're still short of

reaching the market potential. It's largely because of restrictions on imports of non-bulk commodities, such as beef, citrus and leather.

The administration has been pressing the Japanese hard for better access. After a series of meetings and consultations, Japan has agreed to meet next October—six months early—to consult on total removal of quotas on beef and citrus. Also, we finally have the Japanese focusing on the legality of all their agricultural quotas—there are 22 in all—in terms of the GATT. This is an important step in resolving, once and for all, the issue of these quotas—by negotiation, or, if that fails, through the GATT process.

Now, I'm going to shift gears and update you about a number of other items that are of interest to you.

Food Safety

As you know, the President's Cabinet Council has discussed the subject of food safety laws. This is a landmark in itself. I believe it shows that concern over areas such as this are being voiced at the highest levels. Currently, the Cabinet Council named a working group—headed by Assistant Secretary Bill McMillan—to obtain informal comments from industry, consumers and legislators. Then, the group will offer recommendations to the Cabinet Council. Later, the Council will forward recommendations to the President.

Food Programs

This fiscal year, over half of USDA's expenditures were for federal feeding programs. This amount, added to the resources put in by state and local people, adds up to a \$19.5 billion market for food. This year, the federal beef purchase is the largest in five years. We're buying 102 million pounds—double last year's amount.

Sodium

Sodium has been the subject of intense interest over the past few months. USDA has taken the position that a policy encouraging voluntary sodium labeling by the food industry offers the most workable approach. We have encouraged meat and poultry processors to increase voluntary labeling.

I'm pleased to report that the response has been quite good. AMI's support of voluntary sodium labeling and sodium research indicates the meat industry's willingness to take on this issue without being forced into action by government. As consumer interest in sodium grows, you have responded, and this kind of cooperation from the industry precludes the need for new laws and regulations.

For our part, USDA is conducting research, first, to determine the minimum amount of sodium-containing compounds—such as salt—necessary to keep processed meat and poultry products safe. Secondly, we want to increase our general understanding of how these compounds function in food products. We're also cooperating with the Food and Drug Administration in a consumer education campaign to help people make informed decisions about the use of sodium in their diets.

Inspection Of Meat Imports

Nearly a year ago, the Australian meat substitution scandal severely tested the integrity of USDA's import inspection system. The system prevailed then, and it has grown increasingly stronger since. Nonetheless, the scandal did fan the flames of congressional concern over imported meat. It also caused beef producers and consumers to question whether we at the Department could truly assure that meat from foreign countries is just as safe as that produced in the United States.

What happened next—the introduction and near passage of restrictive meat import amendments to the Farm Bill—fortunately is just a memory. AMI, I'm pleased to say, played a critical role in that outcome. Many of you put a great deal of hard work into preserving the existing law which we all believe to be sound. The compromise language finally passed by Congress added clout to the law by codifying the existing policies, but it didn't change the intent.

Your diligence ensured the continuation of open trade channels, and that is a central element in our farm program. By modifying the original proposal, we headed off potential retaliation by our trading partners—and the probable cut-off of foreign markets for U.S. fruit and grain. Also, we blunted the effort to severely restrict or eliminate the import of foreign beef. This prevented price disruptions that would have damaged industry and consumer interests alike.

Less-Than-Continuous Inspection

As you know, legislation for less-than-continuous inspection is now before the Congress. We appreciate the support AMI has given USDA here. I believe this represents a significant step toward modernizing USDA's inspection techniques and procedures, while still ensuring consumer confidence in the wholesomeness of meat.

On another matter, we published on Friday a proposal that would speed up approval of the process for approving labels on meat and poultry products. We propose to first eliminate the requirement for approval of some label changes . . . and second, to allow USDA field inspectors to approve many routine labels that now must be cleared in Washington.

This proposal will give meat and poultry processors the greater flexibility and faster label review that they need to operate efficiently. It will make better use of USDA resources, and reduce some of the regulatory and paperwork burden imposed on the industry. In fact, we estimate that the proposed system will permit more than 50 percent of the labels sent to Washington each year to be approved by USDA inspectors at the plant, or to be exempt from specific approval.

Before I close, I want to say a few final words about President Reagan's economic program. The program has already knocked the wind out of inflation, and we're focusing on those interest rates. We've cut them several percent already but, obviously, that's not good enough. The President believes they'll come down rapidly when people see that something will be done about the budget.

President Reagan has taken off the gloves and is attacking the problems. This is making an uncomfortable situation for some people. We realize that. But we also realize that certain things have to be done if we are going to attain the ultimate recovery. It is important that you make your voices heard loud and clear—louder and clearer than the voices of those who are creating the problems. If we stay tough, we'll get the job done.

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Excerpts from remarks prepared for delivery by Under Secretary of Agriculture Seeley Lodwick before the U.S. Agricultural Attache Conference, Bonn, West Germany, May 24, 1982

As counselors and attaches from eight European Community countries and the U.S. Mission to the EC, you serve as point men in the drive to boost U.S. agricultural exports to Europe and you know how demanding, yet how exhilarating, the battle can be.

I appreciate the good work you've all been doing and I want to express my gratitude to you.

One of the things that makes American agriculture so different is the continental variation in climates and soils. The Nebraska cattle feeder faces a set of problems entirely different from that of the Kentucky cow-calf operator, the Arkansas broiler producer or the citrus grower in California.

Yet there is one thing all of these farmers have in common. They are affected in the pocketbook by what happens in international trade.

They have a financial stake in the quality and timeliness of the global agricultural intelligence delivered by the Foreign Agricultural Service.

They have a stake in the FAS effort to help develop markets for U.S. agricultural products.

And they have a stake in U.S. agricultural trade policy—the negotiations to lower trade barriers, to end the practices that distort trade and to keep borders open to fair competition.

All of these farmers have a stake in your work as agricultural attaches and counselors. They depend on you to serve American farmers and their interests in the countries where you serve. They depend on you and your colleagues in the Foreign Agricultural Service to help them gain a fair return for their investment, enterprise and labor.

This was not always true to the extent it is now.

As recently as 1970, U.S. agriculture devoted around 70 million acres to producing for export—about 25 percent of harvested cropland. That acreage has now doubled. The proportion has now grown to almost 40 percent -- two acres out of every five are producing for export.

Farmers are capitalized to produce for a large export market. They expect to produce for export. They depend on exports for a fourth of their income.

For those reasons—and others—increased interest is focused on exports. This is especially true in times when farm returns fail to keep pace with the inflation in production costs.

Actions To Strengthen Prices

The administration has taken actions, both on the supply side and the marketing side, to increase farm prices.

On the supply side, we now have completed the signup for the acreage reduction programs in wheat, corn, rice and upland cotton. The signup is very encouraging.

Final figures show farmers enrolled 186.3 million acres in the four programs—81 percent of the 230 million acres total base acreage. These are the acreages against which producers would be expected to reduce plantings by 15 percent.

The commodity breakdown was: 91.8 million acres of feed grains, 3.5 million acres of riceland, 14.1 million acres of upland cotton and 76.9 million of wheat.

Participation could be reduced somewhat from these levels as farmers complete the certification process during the summer, but the totals are very encouraging. Only participating producers will be eligible for price support loans and target price protection.

On the marketing side, we have taken a number of actions to promote export sales—actions with which most of you are quite familiar.

- Removal in April 1981 of the embargo on agricultural sales to the USSR. I'll have more to say about the Soviet Union a little later.

- New market promotion efforts, including the dispatch of high-level sales teams to 14 countries in Africa, Latin America and Asia.

- New trade policy initiatives to encourage liberalization of Japan's import restrictions.

- A concerted effort to get the EC to abandon its unfair trade policies.

- New cooperator activities in China and West Africa.

- New agricultural trade offices in Beijing, Tunis and Lagos.
- More effective use of export credits, including the full use of the total authorization of \$2.5 billion for CCC credit guarantees and more careful targeting of both commodities and destinations to ensure maximum effect.
- New impetus to work with the state agriculture departments, including a major international food show in Atlanta next spring.
- New emphasis on the export of value-added products, already at \$12 billion to \$13 billion a year and certain to be enhanced by any lowering of trade barriers in Japan and Europe.
- Finally on March 22, President Reagan took a major step to restore importer confidence in the United States as a reliable supplier. In a speech to agricultural editors, he pledged there would be no return to the stop and go export policies of the past several years.

He said flatly that no export restrictions will ever be imposed because of rising domestic prices and he repeated his pledge that the only way a farm export embargo would be imposed would be in the context of a broader embargo mandated by an extreme foreign policy situation.

"Farm exports," the president said, "will not be used as an instrument of foreign policy except in extreme situations and as a part of a broader embargo. Agricultural products are fungible; that is they are easily interchanged for the same commodity from other nations. For this reason, the embargo of 1980 was almost totally ineffective, yet it caused great economic hardship to U.S. agriculture. We will not repeat such an action."

Thus President Reagan became the first American president to flatly eliminate the possibility of any embargo for economic purposes. He went as far as any president safely could go in rejecting the embargo as a political instrument.

These are only a few of the actions we have taken to build agricultural sales overseas. At the same time, the Congress has shown more interest in and more support for agricultural trade than at any time in my memory.

For example:

- The Agriculture and Food Act of 1981 contains authority for export subsidies, if necessary, to counter unfair trade practices of other

countries and it established an as yet unfunded export credit revolving fund to stimulate export sales.

- The Senate and House have passed a resolution protesting the European Community's proposal to impose a tariff quota on imports of corn gluten feed.

- Members of the Congress have met with officials of both the EC and Japan to urge an end to their unfair trade practices.

- Foreign Affairs, Agriculture and other committees have held what seem to those of us called as witnesses to be dozens of hearings in the past several months to focus on what can be done to increase agricultural exports.

This concern over exports is echoed in the private sector, which is taking a vigorous interest in foreign trade.

- We have received whole-hearted private sector participation in the new pinpoint market development planning process.

- The sugar, pasta, poultry and canned fruits and raisin industries have brought Section 301 complaints against EC trade practices in the past year, adding their weight to the earlier protests by the citrus and flour industries.

Just last week I met in Paris as a member of the U.S. negotiating team in talks with representatives of the Soviet Union. We discussed grain exports to the USSR under the U.S.-USSR grain agreement, in its sixth and last year.

Although this is the final year of the grain agreement, the United States may be willing to open talks on a new grain agreement if the international climate improves.

I have told you about only a few of the actions we have taken to build agricultural sales overseas. We know that it will be more difficult to keep markets open and achieve export gains in the next year or two. But I am confident of our overall success.

Worldwide population continues to grow and net income is still on the rise in many nations. Both of these factors will stimulate new demand for our country's agricultural products in the years to come.

The unusual combination of circumstances that have hampered exports this year should not continue indefinitely: Large crops in both exporting and importing countries, sluggish economies around the world, severe and sometimes unfair competition from other exporters.

I personally feel Europe offers a special opportunity for trade growth, one that certainly should blossom under the initiatives being created by the Reagan Administration. In the past two or three years, this trade has expanded noticeably and I am convinced the potential is there for further significant growth.

We are, as I have indicated, doing a better job meeting foreign demand for U.S. food products. Cooperator groups, the state departments of agriculture, the Congress and the private sector are all showing renewed interest and greater commitment to exporting. With this kind of support, I know we have the resources to strengthen and expand U.S. agricultural exports in the 1980s.

With the quality of representation I have found at this meeting—and in my travels to American embassies abroad—I know that we shall succeed.

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Remarks prepared for delivery by C.W. McMillan assistant secretary of agriculture for marketing and inspection services, before the American Meat Institute, Washington, D.C., May 24, 1982

I'm pleased to be here today to take part in your Public Affairs Conference. The American Meat Institute has always taken an active role in shaping public policy as it affects both the industry you represent and the consumers you serve. This conference is a further example of this continuing and necessary interest and I want to commend you for your efforts.

The development of sound, workable policies often requires the involvement and commitment of diverse groups and viewpoints. Those of us in the government who make and carry out these policies depend on the cooperation of interested groups. I can say that AMI has accepted fully its responsibility to play a role in shaping public policy and making sure it is carried out as intended.

For over 75 years, the U.S. Department of Agriculture and the meat industry have jointly shouldered the responsibility of providing this country, and to a growing extent the world, with a wholesome and

affordable supply of meat. If we are to continue to successfully meet this challenge, we know changes are needed.

We in the department know that you want to make full use of the new technology available to your industry and that you want greater flexibility in marketing your products. Today's economic and regulatory climate dictates that those of us with regulatory responsibilities be keenly aware of the affect our policies have on the regulated industry, the public and the economy. You can be certain that this administration understands your concerns and will respond to them.

One area where you've been exceptionally active is in the efforts to revise the food safety laws. The administration is formulating its policy in this area and I want to acknowledge the leadership AMI has provided in helping to bring about the proposed changes.

Let me tell you where we are on the food safety issue at the moment. As chairman of the administration's Working Group on Food Safety, I've directed the review of the current laws. We drafted a number of proposed revisions to those laws and subsequently presented a report to the Cabinet Council on Human Resources. As you know, a few weeks ago we briefed Congress, food industry representatives and consumer groups on those proposals.

Before establishing its final position, the administration will consider the views of these groups. By June 4 we expect to have responses to our proposals. And after we review them, the working group will make recommendations to the cabinet council for a final shaping of administration policy.

Although the administration's policy hasn't yet been finalized, I'd like to tell you some of our thoughts at this point. Let me say at the outset that public health is and should remain the focus of the food safety laws. To be effective, however, those laws must be credible. They must be consistent with contemporary scientific data on food safety and they should not place unnecessary burdens on the regulated industry.

After considering our options, we decided to build on and modify the existing laws rather than rewrite them. Several areas of change are under consideration.

First, the working group has suggested that a definition of "safe" be included in the statute. It has recommended that "safe" be defined as "a

reasonable certainty of no significant risk under the intended conditions of use of a substance." This, of course, would be based on compelling scientific data.

This definition still assures consumers that the basic premise of the current safety standard—a reasonable certainty of no harm—has been kept intact. It also means that safety does not require the pursuit of zero risk.

Another area of major concern in food safety legislation is phase-outs. Or more accurately, the lack of phase-out authority under current law. Here the working group feels there is a need to be able to gradually phase out substances which must be prohibited but do not pose an immediate risk to the public. This authority could be extremely important if an immediate withdrawal could generate a public health risk or cause severe disruption of the food supply.

Although we did not include consideration of non-health benefits in making safety assessments, we think that non-health benefits may appropriately be considered before making a final decision on how soon a substance should be removed from the food supply.

One of the greatest areas of concern is the much-discussed Delaney clause. The working group has recommended that any change in the current law specifically provide for scientific consideration of whether a substance that causes cancer in animals actually poses a risk of cancer to humans under intended conditions of use.

Our suggested modifications to the Delaney clause call for an evaluation of carcinogenic substances based on:

- consideration of whether data derived from animal tests are relevant to humans;
- consideration of health benefits in deciding the fate of a substance;
- the use of risk assessment procedures in evaluating the significance of animal drug residues in edible tissues; and
- the significance of the presence of carcinogenic constituents of food additives.

These changes to the Delaney clause would allow the government to take advantage of advancements in science when considering the safety of a substance. At the same time they would assure that carcinogens are

treated under a stricter set of criteria than those applied to non-carcinogens.

Let me now review another area of interest to AMI—sodium. As you know, this has been the subject of a great deal of attention recently—a reflection of consumer concern—and I'd like to tell you where we are at this time.

USDA supports voluntary sodium labeling—a policy we believe is best for both industry and consumers. The market will respond to consumer concerns. That's what the free market system is all about. Additional legislation or regulation to require labeling for sodium would result in substantial additional cost to the industry and taxpayers.

Consumers have indicated they want more sodium information on the food products they buy, and the meat industry is responding. To date, USDA has approved 1800 labels that contain sodium content information. Such major companies as Oscar Mayer, Campbell's Soup and Banquet Foods voluntarily provide sodium information on some of their products. The industry—with market demand, not government regulation, as an impetus—is giving consumers what they want. AMI deserves special credit for setting the tone for such cooperation.

For our part, USDA has committed \$800,000 to sodium research in two areas. First, we want to determine the minimum amount of sodium-containing compounds, such as salt, necessary in processing meat and poultry products to keep them safe and wholesome. Second, we're conducting long-term research to increase our general understanding of how these compounds function in food products.

We're also making an effort to educate consumers so they can make informed decisions about the use of sodium in their diets. In cooperation with the Food and Drug Administration, we're developing a brochure that will be available in about a month. We'll also be taping radio and television spots for release later this summer.

I'm well aware that the current system for label approval has been a subject of great interest to AMI, especially in recent years. As most of you probably know, a proposal to change that system appeared in last Friday's Federal Register. This proposal takes into account many of the recommendations you made in your petition of last August and I think you'll be satisfied with the concepts being offered for consideration.

The proposed system could significantly accelerate the process for approval of some labels on meat and poultry products—first, by eliminating the requirement for approval of some label changes and second, by allowing USDA field inspectors to approve many of the routine labels that now must be cleared here in Washington. We've also defined a set of label changes that no longer need prior approval. Although limited at this time, we need to see if the concept can be broadened.

Another area where we have received cooperation and support from AMI has been in the Voluntary Total Quality Control Inspection Program—TQC, for short. By relying more on product monitoring systems, which much of the industry is using, we've improved our own inspection program—and we've provided benefits to the industry as well.

We're pleased with the response the meat industry has shown to TQC and anticipate continued growth in the program. We've now approved 57 TQC systems and another 25 are under review. Plants are reporting to us significant savings in overtime inspection costs because of reduced inspector presence. Product monitoring systems now in operation have proven that companies can produce and package wholesome and safe meat products without the government constantly looking over their shoulder.

I want you to know that we at USDA are aware of our obligation to carefully protect the proprietary information that we need to monitor TQC systems. We've exempted TQC data and any related records from Freedom of Information Act requests and you can be assured that any confidential information from your plants will remain protected.

Still another area where AMI has provided USDA with support, especially on Capitol Hill, is the less-than-continuous inspection legislation now before Congress. We appreciate your support of this measure. The meat industry, the government, consumers and taxpayers all stand to benefit from the legislation. You'll be hearing more about this later.

Under such programs as less-than-continuous inspection, we would treat all companies equitably, although not equally. The meat industry has shown that, overall, it operates in a credible and ethical manner.

The administration believes industry can and does carry its share of the responsibility for providing wholesome products and accurate labeling.

Because of this sense of responsibility that results in the high quality of American meat products, we're seeing increased interest overseas. This administration has made a major commitment to increasing the volume of agricultural products—including meat—exported from the U.S. In 1981, we exported \$41 million in agricultural products, giving that segment of the economy a \$24 billion positive trade balance.

Secretary Block and others at USDA have made trips throughout the world to establish new markets for American meat and other agricultural products. The future holds great promise in this area. Many parts of the world, such as Asia and Africa, are largely untapped markets for American agricultural goods and know-how.

But in many cases we have to first overcome trade barriers. The problems we've had trying to export meat to Japan are well known to you. That country's farmers seem to have succeeded, at least for now, in gaining popular and government support for a system of non-tariff barriers that effectively prevent meat imports from competing in the Japanese market. There is no way we can successfully enter that market until these barriers are dropped.

Technical trade barriers will have to be overcome as well. Within the next decade, for example, standard-size metric boxes and pallets will be required for perishable food trade in the European Economic Community market. USDA's Office of Transportation is working with meat and poultry export associations to develop shipping containers that will meet future export trade requirements.

The Reagan Administration is also working to help U.S. exporters cope with current and proposed regulations and to encourage foreign countries to drop non-tariff trade barriers. It's a complex issue, and we're in the middle of some very difficult negotiations. I'm confident, however, that the American meat industry in the near future will have many new overseas markets available.

We're not always on the defensive in the export area though. In cooperation with the meat industry, we've developed new procedures for certifying U.S. beef products exported to Japan under the livestock industry promotion corporation program. The Agricultural Marketing Service proposed new procedures to the LIPC last August. They call for

random sampling rather than 100 percent examination of meat slated for export. If implemented, they would reduce the number of graders now required for certification and cut costs, while maintaining high quality.

But regulation and inspection isn't all we do. We're also interested in trends of the meat industry—where it's been and where it's going. Several weeks ago the Packers and Stockyards Administration released a report on a study of geographic markets and prices for fed steers and heifers in the High Plains and Iowa-Nebraska areas, which account for 59 percent of all U.S. fed cattle marketing. The study showed that between April 1979 and March 1980 the markets in these areas behaved competitively and that average prices were influenced by overall market factors rather than by local supply and demand conditions.

Several beef slaughter plants have closed in the area since the study, but two new plants with over 1 million in annual slaughter capacity have opened. We'll continue to monitor both the market structure and the level of competition in those market areas.

An interesting part of this study is that we defined the market areas on the basis of a high production density core surrounded by areas of relatively low production—rather than by arbitrary state or regional boundaries. We also measured price relationships by individual lot margins rather than raw price data.

One of the major concerns of your industry is beef grading standards. The department is reviewing the proposal made last summer to revise the current beef grade standards, and we are summarizing and evaluating all of the comments and public hearing testimony. We've received about 4,000 comments representing widely divergent views, including about 20 statements from national and state organizations interested in this issue.

USDA continues to provide federal grading and certification services for a large percentage of the commercial production of red meat in this country. During 1981, USDA officially graded almost 13 billion pounds of red meat and certified an additional 2 billion pounds of meat products for compliance with contract specifications.

The amount of federal grading performed represents approximately

56 percent of the beef, 11 percent of the veal and calf and 73 percent of the lamb commercially slaughtered in the U.S.

The U.S. Department of Defense, USDA purchase programs, state and local governments, hospitals and similar organizations use AMS certification services to assure in-plant quality for large-scale buyers of meat.

This work has increased by approximately 50 percent in the past 5 years. Based on current projections, it appears the amount of federal grading and certification work will remain at a high level and may even increase this fall.

Let me end by saying that much of the credit for this country's safe, abundant and affordable meat supply must go to American farmers and ranchers and their representatives in Washington. The story over the years has generally been one of cooperation between government and industry sharing responsibility and innovative approaches to production. As today we discuss our strategies for tomorrow and the weeks and years ahead, we have great hope that the success of the past will be repeated and enlarged.

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Testimony

U.S. Department of Agriculture • Office of Governmental and Public Affairs

Statement by Deputy Secretary Richard E. Lyng before the Senate Subcommittee on Agriculture, Nutrition and Forestry, May 27, 1982

It is a pleasure to have this opportunity to discuss the dairy price support program with you. In general, this program performed very well during the 1960's and 1970's. It assured adequate supplies of dairy products at reasonable prices to consumers as it was intended to do. But, there are problems with the program now which demand a solution. Program costs have skyrocketed from only \$46 million in fiscal 1979, to \$1 billion in fiscal 1980, then to \$1.93 billion last fiscal year, and we are expecting net outlays of \$1.94 billion this fiscal year. Costs of this magnitude simply cannot be allowed to continue.

The Reagan Administration supports the need for a dairy price support program. We accept the public policy which provides for adequate, steady supplies of pure, wholesome milk at reasonable prices. To do this requires a program which provides dairy producers an adequate return. This can be done, but must be done at substantially lower costs to the government and in a way that can be administered in a timely manner. Before discussing our specific proposal, it may be of value to review the recent history of the program.

Prior to 1977, dairy legislation required the secretary of agriculture to support the price of milk between 75 and 90 percent of parity on an annual basis. Even though it was not specifically required by law, the usual procedure was to make a smaller price adjustment in the middle of the year to maintain the support level and to avoid having to make a very large price adjustment at the beginning of the next milk marketing year.

The Food and Agriculture Act of 1977 increased the minimum support level from 75 to 80 percent of parity and mandated a mid-year adjustment of the support price. When the 1977 Act was passed, there were reservations about mandating 80 percent of parity with semiannual adjustments. That is the reason the 1977 provisions were enacted for only two years. In 1979, the impact of these changes was not yet fully

apparent—program costs were still low—and as a result, these provisions were extended for two additional years. When production began to increase rapidly in fiscal 1980, it became clear that continuing support prices at 80 percent of parity with semiannual adjustments was a major mistake.

Here is what has happened since FY 1979:

Year	Support Price	Milk Production	Commercial Use	CCC Net Removals	CCC Net Outlays
	<i>Dol./cwt.</i>	<i>Bil. lb.</i>	<i>Bil. lb.</i>	<i>Bil. lb.</i>	<i>Mil. dol.</i>
FY 1979	9.87/10.76	122.6	120.1	1.1	46
FY 1980	11.49/12.36	127.3	119.3	8.2	1,031
FY 1981	13.10	131.7	120.0	12.7	1,934
FY 1982 ¹	13.10	135.5	122.0	13.3	1,941

¹Estimated.

The 80 percent of parity requirement increased the milk support price level from \$9.87 per hundredweight at the beginning of fiscal 1979 to \$11.49 per hundredweight at the beginning of fiscal 1980. During fiscal 1980, milk production increased 4.7 billion pounds, commercial use dropped 800 million pounds, and CCC net removals increased 7.1 billion pounds.

By fiscal 1981, 80 percent of parity had increased from \$11.49 to \$13.10 per hundredweight, milk production increased another 4.4 billion pounds, and CCC net removals increased 4.5 billion pounds. In fiscal 1981, CCC purchased 12.7 (milk equivalent) billion pounds of butter, cheese and nonfat dry milk at a cost of \$2.0 billion—CCC net expenditures were \$1.9 billion. Fiscal 1982 net expenditures are now expected to be near the fiscal 1981 level.

It would be wrong to blame milk producers for the overproduction problem. The problem was not caused by producers—it was caused by those in government who did not have the foresight to see what would happen with the passage of legislation that provided for inflexible adjustments in the price support level which bore no relationship to the marketplace. Dairy producers did what any other producer would have

done. They reacted to the price signals that were being sent. The trouble was that the government was sending the signals -and the signals were wrong. Surely the one lesson that we should have learned is that minimum dairy price supports indexed to rigid formulas can cause serious problems.

When this administration took office, the program was out of control. An early decision was made to hold the price line as a first step towards getting milk production under control. A proposal was made to eliminate the semiannual price increase that was scheduled for April 1, 1981. With the help of the Congress, the administration was able to hold the support rate at \$13.10 per hundredweight, rather than raise the price support level as called for in the 1977 Act. The second step was to seek legislative authority in the new farm bill to forego any further price support increase until milk production was brought into balance with the consumption of dairy products. We faced some strong opposition, but we were able to achieve some moderations in annual price support increases.

Production adjustment requires lengthy time periods in the dairy industry. It takes more than two years to bring a heifer calf into the milking herd. Once in the herd, milk cows have a productive life of 3 to 5 years. Authority to maintain the price support at \$13.10 per hundredweight in fiscal 1982 has given us more time to evaluate current production conditions, but we are still faced with the statutory requirements to increase price supports again October 1, and to continue to increase them in 1983 and 1984.

It is now clear that the legislative changes made last year did not go far enough. We could spend another \$6 billion between now and 1985 and still not solve the basic overproduction problem, an overproduction problem of considerable magnitude. As of May 21, we had 419 million pounds of butter, 684 million pounds of cheese and 1,045 million pounds of nonfat dry milk in government storage—a total of 15.4 billion pounds milk equivalent—and these stocks are continuing to increase at an alarming rate. The rigid price support increases, mandated in the 1981 farm bill, could more than double government stocks by 1985. We cannot let that happen—we in the U.S. Department of Agriculture know it, you in Congress know it, and dairy farmers know it.

Dairy producers understand the problem and they want a solution. They recognize that continued government costs at current levels could well endanger the basic program and threaten the stability of the industry. The overriding mood at the Kansas City dairy symposium called by Secretary Block was to find a solution—but, whatever the solution, it has to work. We cannot afford to make another mistake. Further legislative changes must be made to ensure that the dairy surplus situation is brought under control.

Our overall dairy package covers many areas—disposition of surplus stocks, research, product promotion and market development—much of which does not require further legislative authority. However, we are requesting legislative authority in three areas: (1) discretionary authority for the secretary of agriculture to set the price support as needed to bring milk production under control, (2) establishment of a Dairy Advisory Board and (3) amendments to Section 416 of the 1949 Act to allow the Commodity Credit Corporation to donate dairy products overseas and to permit domestic donation of these products to needy households.

Discretionary authority to set the price support does not mean that the price support would drop automatically. We are approaching a critical phase in the production cycle which could establish the production pattern, up or down, for the next several years. The rate of increase in milk production has been slowing since the first of the year and may even begin to drop below year-earlier levels in the coming months. At a crucial turning point like this, price expectations are extremely important. The choice is simple. Will you maintain the price support increases mandated for the next three years—price support increases that may trigger a new period of production expansion and steadily increasing program costs? Or will you give the secretary discretionary authority to hold the price line, or even drop the price support level next January, if that is necessary to bring milk production and program costs under control?

If he is given that discretionary authority, the secretary of agriculture has pledged not to adjust the present support level until January 1, 1983. In the event that milk production has not begun to decline by January, we believe that the price support would have to be lowered, to perhaps as low as \$12 per hundredweight at that time.

Clearly, timing has become extremely important. The sooner that Congress gives a clear signal to the industry, by providing discretionary authority to the secretary to lower the support price if necessary, the greater the likelihood that no reduction or a more modest reduction in the support price will be needed.

We are fully aware that there is opposition to the granting of full discretionary authority to the secretary of agriculture to determine a proper price support level. In the past, the Congress has insisted upon some mandatory minimum price support levels. May 1 submit that this rigid requirement has, since 1977, created the massive problem that we face today. The blunt fact is that the Congress often moves too ponderously, too slowly, and, yes, sometimes even too politically, to make timely and critically needed adjustments in the level of dairy price supports. The secretary of agriculture should be given this discretionary authority as a practical step toward effective, responsible government.

Despite what others may say, our proposal would put a major constraint on the secretary of agriculture by requiring that he provide a support price level which will "assure an adequate supply of pure and wholesome milk." No secretary of agriculture would be permitted to lower the support price to a level which could result in a milk shortage.

May 1 respectfully remind this committee that this is the third time in fifteen months that I have testified before you asking for a change in dairy legislation. If our proposal is rejected in favor of a more rigid, non-adjustable plan, there is a strong chance that within another year we will be back again asking for additional adjustments. This should be avoided and can be avoided by adopting our proposal.

To assist the secretary in using his discretionary authority to set the milk price support, we are also requesting authority to establish a Dairy Advisory Board consisting of dairy producers and others knowledgeable of the industry. Board members would advise the secretary on a wide range of dairy issues, including the setting of price support levels and the disposition of government-owned inventories of dairy products.

Finally, we are requesting reinstatement of Section 416 authority whereby the Commodity Credit Corporation will be able to donate dairy products for use abroad. This authority would provide for direct CCC donations abroad, in addition to the P.L. 480 programs, and would facilitate constructive uses by the CCC of its surpluses while allowing

the United States to enhance its role in responding to food needs of hungry people around the world. The amendments to Section 416 also would authorize expanded distribution to needy households in the United States, which is currently prohibited, except in very limited circumstances.

I will not go into the specifics of the other parts of our dairy program that do not require legislative action. The program is extensive and materials describing each of the separate parts have been supplied to the Committee.

I would like to mention, however, that we are making administrative changes to reduce the level of dairy product stocks. These include authorizing an additional 120 million pounds of cheese for distribution to low-income households, for a total of 220 million pounds donated this year and providing nearly \$500 million in bonus dairy commodities (approximately 700 million pounds) to eligible institutions this fiscal year. In addition, we are increasing the distribution of surplus dairy products through expansion of the food bank distribution projects, sale of out-of-condition nonfat dry milk for animal feed and increasing donations under the P.L. 480 food aid program.

One last thought. The dairy price support program has worked well in the past and it can continue to work well in the future. The strength of our proposal is in its basic simplicity. It does not require a large new bureaucracy to function. It gives clear price signals to producers, and buffers producers and consumers from seasonal and cyclical price instability without distorting the long-term price signals needed for long-range planning in this industry. The fact that the price signal has been wrong since 1979 is not the fault of dairymen and it is not the fault of the way in which the program has operated. Some of the same persons who opposed our legislative proposals last year are now admitting the program has failed and the program needs drastic restructuring. Bills have been introduced to create producer-operated boards to set prices and control the supply of milk and to establish complex price formulas and two-price plans that cannot possibly be used as a guide for production decisions. These proposals would create a vast bureaucracy to make production decisions and operate the system. Worst of all, under some of these proposals producers would be

required to give up their freedom to make their own decisions and to accept production bases and complex pricing plans as part of the price of being allowed to produce milk. We have had experience with supply control plans in the 1930's and late 1940's—they didn't work then and they are not likely to work now. For these reasons, I urge you to accept the dairy program the Reagan Administration has offered which will, in the long-run, assure viability to the entire dairy industry.

Thank you.

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Issue Briefing Paper

U.S. Department of Agriculture • Office of Governmental and Public Affairs

MINERAL EXPLORATION AND LEASING IN WILDERNESS BACKGROUND

Mineral exploration and leasing within designated wilderness areas have sparked keen interest and controversy during the past year.

Studies show that the United States faces a growing shortage of strategic minerals. This fact, along with increased efforts to end America's dependency on foreign oil supplies and the approaching Dec. 31, 1983, legislated deadline for mineral entry and leasing activities in wilderness areas, have created an atmosphere of urgency and conflict.

Although the U.S. Department of the Interior's Bureau of Land Management is responsible for issuing mineral leases on federal lands, USDA's Forest Service has been the focal point of interest. The USDA agency is responsible for authorizing exploration and recommending whether applications should be approved for leases within the 25 million acres of wilderness it administers. That's 31 percent of the National Wilderness Preservation System.

The controversy surrounding mineral activities in wilderness centers around two seemingly irreconcilable views.

On the one hand, there is the view that the need for energy sources and valuable minerals is sufficient to justify at least making an assessment of how wilderness can meet these needs, and, at the most, actually developing mineral resources within wilderness boundaries.

On the other hand, opponents maintain that any activity related to mineral exploration or development is totally unacceptable in wilderness. The resulting impact on the environment, they argue, would destroy the wilderness character of the area now and for future generations.

What The Law Says

The key legal statement on the subject is the 1964 Wilderness Act, which not only created the National Wilderness Preservation System but also set limitations on the types of activity which can occur within wilderness.

The Act states:

". . .until midnight Dec. 31, 1983, the United States mining laws pertaining to mineral leasing shall, to the same extent as applicable prior to the effective date of this Act, extend to those national forest lands designated by this Act as 'wilderness areas'; subject, however, to such reasonable regulations governing ingress and egress as may be prescribed by the Secretary of Agriculture consistent with the use of the land for mineral location and development and exploration, drilling and production. .

"Mineral leases, permits and licenses conveying lands within national forest wilderness areas designated by this Act shall contain such reasonable stipulations as may be prescribed by the Secretary of Agriculture for the protection of the wilderness character of the land consistent with the use of the land for the purposes for which they are leased, permitted or licensed."

What This Means

The law means that, subject to access regulations and stipulations prescribed by the secretary of agriculture to protect the wilderness character of the area, mineral leasing may be permitted inside wilderness until the deadline of Dec. 31, 1983, is reached. After that date, the Wilderness Act does, however, provide for exploration that is compatible with preserving wilderness characteristics in order to determine the mineral potential of wilderness areas.

The controversy surrounding wilderness exploration and leasing has resulted in a number of Congressional efforts to resolve the issue.

In the interest of allowing Congress more time to debate the issue and for the collection of more detailed information on the mineral potential of wilderness areas, Secretary of the Interior James Watt has imposed a ban on wilderness leasing until late November 1982.

The Forest Service's Role

The Forest Service makes authorizations for explorations or recommendations to the U.S. Department of the Interior's Bureau of Land Management regarding wilderness leasing in accordance with procedures established by the National Environmental Policy Act.

Compliance with NEPA procedures are required for any proposed federal action which may have an impact on the human environment.

These procedures provide two options which can be followed in addressing wilderness exploration or leasing. The regional forester, who is responsible for issuing a recommendation to the Bureau of Land Management on whether leasing should be permitted, selects one of these options to evaluate wilderness leasing and exploration proposals:

1. Preparation of Environmental Assessment. An environmental assessment is prepared to examine proposed actions, such as mineral exploration or leasing, and their alternatives and effects as a way of deciding upon a future course of action.

For instance, an environmental assessment may be prepared to determine whether an environmental impact statement is warranted.

On the other hand, the environmental assessment may result in a decision that the proposed action would not significantly affect the environment and therefore may be implemented. Although an environmental assessment draft usually is not prepared, public comments are obtained during the preparation of the document and play a significant role in its conclusions.

2. Preparation of Environmental Impact Statement. The National Environmental Policy Act requires that an environmental impact statement be prepared for any major federal action which significantly impacts the quality of the human environment.

The environmental impact statement is prepared as a document, first as a "Draft EIS" and later as a "Final EIS." Issuance of a draft is followed by a period of at least 60 days, during which public comments are gathered on the actions proposed.

These comments play a significant role in the preparation of the final environmental impact statement, which announces a decision on actions to be implemented by the Forest Service.

In some instances, an environmental impact statement devoted exclusively to the issue of wilderness leasing may be prepared (e.g. "Oil and Gas Exploration and Leasing Within the Washakie Wilderness"). The issue may be incorporated into the environmental impact statement which addresses overall planning for each national forest if this action does not entail an unwarranted delay in processing the lease applications.

Wilderness Exploration

Wilderness can be explored for minerals without a lease. Exploration activities, which do not include exploratory drilling, may take place by obtaining a special use permit from the forest supervisor.

Wilderness Leases

The Forest Service currently is preparing recommendations on about 1,000 applications for leases within wilderness.

All mineral leases to be issued in wilderness areas will contain stipulations to protect the wilderness character of the area. The Forest Service recommends the stipulations under which the lease will be issued by the Secretary of Interior.

Some stipulations are common to all leases and require the lessee to follow prescribed procedures for protecting the environment.

Special stipulations are prescribed, however, where necessary to provide additional protection for the area's resources and wilderness character. These may require the lessee to do such things as to take additional precautions to protect endangered species or to insure that water quality is not adversely affected.

A "no surface occupancy" stipulation can be imposed on wilderness areas. It means that while a lease may be issued, the lessee may not occupy the surface of the area to locate a drill site, mine or other type of facility within designated parts of the leased area. Consequently, the lessee must remove the minerals by techniques such as slant- or directional-drilling, which enables the lessee to remove minerals without occupying the surface.

Before conducting any exploratory drilling or development activities, a lessee must obtain approval of such activities from the Department of the Interior's Minerals Management Service to assure that exploration or development will be conducted in accordance with lease terms. Approval of these activities will be made in accordance with procedures of the National Environmental Policy Act.

Recommendations can be made to deny leasing. The denial, however, must be justified on the basis of potential impacts on the area's environment, not its wilderness character. In other words, the lease application cannot be denied simply because it involves a wilderness area.

In addition to pending applications, there are 39 existing oil and gas or geothermal leases partly or wholly within wilderness. Twenty-five of these leases were issued before the areas received wilderness designation. The remaining 14 were issued after the areas became wilderness; all of these have "no surface occupancy" stipulations to protect the wilderness character of the area. To date, no development activities have taken place in wilderness.

Summary

Congress provided for mineral exploration and leasing within wilderness through passage of the Wilderness Act of 1964.

The legislation includes provisions which permit leases to be issued in wilderness until Dec. 31, 1983, on the same basis as leasing outside of wilderness.

The Act also states that reasonable stipulations should be made to protect the wilderness character of the land.

Determining these stipulations is the responsibility of the U.S. Department of Agriculture's Forest Service. Each lease application submitted for review to the Forest Service by the U.S. Department of the Interior's Bureau of Land Management for a recommendation receives an analysis of the potential lease's likely impact on the environment.

Congress is giving consideration to the issue of mineral exploration and leasing in wilderness; the conflicts are expected to be resolved prior to Dec. 31, 1983. In this way, the USDA hopes, both the mineral and wilderness needs of the nation will be met in an equitable and beneficial manner.

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News Releases

U.S. Department of Agriculture • Office of Governmental and Public Affairs

TESTS PLANNED ON SHIPPING MORE CATTLE BY RAIL

WASHINGTON, May 21—Tests on a rail cattle car equipped with an onboard feeding and watering system are planned by the U.S. Department of Agriculture to determine if it is practical to ship more cattle by rail.

The test program was launched at a demonstration of the car today at the Agricultural Research Center at Beltsville, Md.

USDA's Office of Transportation will conduct the tests on a specially constructed car loaned to the USDA by the Ortner Freight Car Company of Cincinnati, Ohio.

"This is the type of cooperation I like to see between the government and the private sector," said Assistant Secretary of Agriculture C.W. McMillan. "The work that has been accomplished so far on this particular project is proof in itself that such cooperation is an achievable reality.

"It is fitting," said McMillan, "that this project be initiated during National Transportation Week."

McMillan said the project will build on earlier studies of onboard feeding conducted at Texas A&M University's Amarillo Research Center in 1978 and 1979.

First, stationary tests will be conducted at Beltsville. Then, the main series of tests will involve moving steers over long distances from locations in Florida, Tennessee and other southeastern states to Amarillo, Texas.

Researchers will collect pre- and post-transit data on the health stress levels, shrinkage and recovery range of the steers, comparisons of the cost of rail shipment with truck routes over similar routes, and the energy efficiency of rail shipments.

The 91-foot-long car is capable of transporting 200 head of feeder cattle weighing 400 pounds each. The onboard watering and feeding system would enable railroads to move livestock for as many as five consecutive days with an adequate supply of feed and water.

The Livestock Transportation Act of 1906 requires that livestock be fed and watered every 28 hours.

NOTE TO EDITORS: Photos of the railcar in this story are available by calling Office of Transportation, U.S. Department of Agriculture, (202) 447-6153.

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APRIL FOOD CPI UP SLIGHTLY DUE MAINLY TO HIGHER MEAT AND FRUIT PRICES

WASHINGTON, May 21—The consumer price index (CPI) released today indicates food prices rose 0.3 percent in April (before seasonal adjustment) according to Assistant Secretary of Agriculture William Leshner.

"Prices for food bought in grocery stores were up 0.3 percent in April, while prices for food purchased away from home were up 0.4 percent," Leshner said. This increase follows a 0.3 percent decline in March.

"The major reason for the increase in April was higher meat prices. We finally are seeing much needed strength in hog and cattle prices where producer returns had been depressed," Leshner added.

Beef prices rose 1.1 percent as increased feedlot placements reduced nonfed cattle slaughter. Pork prices were up 0.9 percent reflecting a decline in slaughter. Fresh fruit prices rose 3 percent, led by a 4.6 percent rise in prices for oranges as production shifted to new harvest areas.

Regarding other foods, fresh vegetable prices fell 1.4 percent. Tomato prices were down 14.6 percent as production increased from the low levels caused by the January freeze in Florida. Lettuce prices, however, were up 31.1 percent, reflecting reduced supplies caused by heavy rains and the shifting of harvest in California.

Retail egg prices fell 4.3 percent in April and poultry prices were down 0.7 percent due to increased supplies.

Cereals and bakery product prices rose 0.1 percent as declining farm prices for wheat, rice, and cane sugar earlier this year reached the retail level and partly offset rising marketing costs. Similarly, a pass-through

of lower cane sugar prices in February and March pushed the sugar and sweets CPI down 0.1 percent. Declining raw sugar prices earlier in the year also caused soft drink prices to fall in April.

The fats and oils CPI rose 0.3 percent due to increased demand for vegetable oils, a result of diminished lard supplies caused by pork production cutbacks.

Retail food prices this year are expected to average 5 to 7 percent higher than last year. This would be below the 1981 increase of 7.9 percent, continuing the pattern of slowing annual food price rises that began after 1979.

Two important moderating factors this year are small increases in the farm value of food and slowing of food marketing cost inflation. The farm value of foods this year is expected to average 1 to 4 percent above last year's level, the third consecutive year of relatively small increases. The farm-to- retail price spread will be up 6 to 8 percent this year, the smallest annual rise since 1977.

April Retail Food Prices, Percent Changes for Selected Items

Items	March to April		April 1981 to April 1982
	Not seasonally adjusted	Seasonally adjusted	
<i>Percent change</i>			
All food	0.3	0.3	4.0
Food away from home	0.4	0.4	5.3
Food at home	0.3	0.3	3.4
Meats	0.9	1.2	5.0
Beef and veal	1.1	1.3	2.8
Pork	0.9	3.2	11.1
Other meats	0.2	0.1	2.9
Poultry	-0.7	0.3	-1.8
Eggs	-4.3	-3.2	1.4
Fish and seafood	1.5	1.5	6.2

Continued on next page

**April Retail Food Prices, Percent Changes for Selected Items
—Continued**

Items	March to April		April 1981 to April 1982
	Not seasonally adjusted	Seasonally adjusted	
<i>Percent change</i>			
Dairy products	0.4	*	1.6
Fats and oils	0.3	*	-3.6
Cereals and bakery prods.	0.1	*	5.0
Fruits and vegetables	0.3	-0.9	4.3
Nonalcoholic beverages	-0.2	-0.3	2.3
Sugar and sweets	-0.1	*	-2.8
Other prepared foods	0.0	-0.1	6.1

* No seasonally adjusted index available.

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**USDA REQUESTS COMMENTS ON 1983 WHEAT
PROGRAM, CROP ACREAGE BASE DETERMINATIONS**

WASHINGTON, May 21—Secretary of Agriculture John R. Block today asked the public to comment on provisions of the 1983 wheat program, details of which must be announced by Aug. 15.

Block also said he wanted comments on what method the U.S. Department of Agriculture should use to determine crop acreage bases not only for wheat but also for feed grains, cotton and rice.

"Whatever methodology we settle on for the wheat program likely will be used for other program crops," Block said. "For this reason, it is important that we hear from all segments of U.S. agriculture on this subject."

The deadline for comment is June 24.

A crop acreage base is the number of acres of a crop from which a farmer must reduce plantings if an acreage reduction program is in

effect. For example, a farmer with a 100-acre wheat base could plant no more than 85 acres of wheat if a 15 percent acreage reduction were in effect.

Farmers who grow several program crops—such as corn, wheat and cotton—would have an acreage base established for each crop.

Block said he plans to announce the 1983 wheat program well in advance of the Aug. 15 statutory deadline. He said he will study the public's recommendations and the most current data on U.S. and world crop conditions, production and consumption before he makes final decisions.

Specifically, comments are requested on:

- the loan and purchase prices, the target price and national program acreage.
- whether USDA should establish an acreage reduction or a set-aside program and, if so, the percentage of acreage adjustment.
- whether USDA should establish a voluntary acreage reduction and, if so, the level of such a reduction.
- provisions governing allowance of haying, grazing and conservation usage of set-aside acreage.
- a land diversion program and payment for land diversion.
- offsetting compliance requirements for an acreage reduction program.
- methods for determining 1983 crop acreage bases.

Block also asked for comments on provisions for a farmer-owned reserve, commodity eligibility, premium and discounts, the establishment of county loan rates and all other provisions necessary to carry out a loan and purchase program for wheat.

Details of program options under consideration by USDA are scheduled to appear in the May 25 Federal Register.

Comments should be sent to: director, analysis division, USDA-ASCS, room 3741-S, P.O. Box 2415, Washington, D.C., 20013. Comments will be available for public inspection in that room during regular business hours.

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BIG STEP TAKEN TOWARD PREVENTING COCCIDIOSIS IN CHICKENS

BELTSVILLE, Md. May 24—A vaccine to protect chickens from coccidiosis, a disease that costs poultry producers \$300 million a year, may result some day from antibodies produced in a laboratory by U.S. Department of Agriculture scientists.

Harry D. Danforth, a USDA research microbiologist, said the antibodies already have been produced at the Animal Parasitology Institute of the Beltsville Agricultural Research Center, a part of USDA's Agricultural Research Service. He said this is an important first step toward producing a vaccine.

"We don't have adequate protection from the digestive disease now," said Danforth, "but we believe a vaccine can be developed by cloning the antibodies in the laboratory for later injection into poultry."

Animals produce antibodies as a protection against specific foreign substances (antigens) such as the parasites that cause chicken coccidiosis.

Danforth said it is difficult to predict how long it will take to make a vaccine for chicken coccidiosis widely available. Antibodies against the other species of disease-causing coccidia, he said, will have to be made before a vaccine can be tested.

Microscopic parasites called coccidia cause the disease by infecting the chickens' intestines.

To make the antibodies against the coccidia, Danforth said, scientists use what is called the "hybridoma technique." With this method, spleen cells from mice are inoculated with the coccidial parasite and fused with mouse cancer cells that grow in cell culture. The resulting fused cells produce a single antibody against the disease-related coccidial parasite protein.

Danforth said 10 cloned cell lines were designed to produce antibodies specifically against *Eimeria tenella*, the most virulent form of chicken coccidiosis.

Danforth and his colleagues currently are producing single antibodies against the several other species of chicken coccidia. These antibodies also may be used to diagnose the presence of coccidia in

chickens and determine whether the chickens have developed immunity to the disease.

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U.S.-USSR SPRING GRAIN CONSULTATION COMPLETED

WASHINGTON, May 24—Under Secretary of Agriculture for International Affairs and Commodity Programs Seeley Lodwick issued the following statement in Paris May 22:

"We have just concluded the second semi-annual session of regular grain consultations for the sixth year of the U.S.-USSR Grain Agreement, which extends through Sept. 30, 1982. During the two-day meeting, we discussed in detail the world grain supply-demand situation, U.S. supplies and possible Soviet import needs. We reviewed the substantial progress in the rebuilding of grain trade which has occurred, partly through our working closely together in these meetings which resumed in June 1981.

"During the talks, the Soviets confirmed that thus far they have purchased 6.14 million metric tons of U.S. wheat and 7.6 million tons of U.S. corn for shipment in the sixth year of the agreement. They also confirmed that shipments of these purchases are now scheduled for completion by the end of this month. When we met last fall, the Soviets informed us that their total grain import program, from all origins, amounted to about 20 million tons during January-June of 1981 and would likely be somewhat larger in July-December of 1981. At this meeting, it was indicated that last fall's prediction for the July-December 1981 period was correct and that the total import volume reached about 21 million tons.

"For the current January-June period, the total Soviet grain import program now is likely to exceed 24 million tons, not including any processed products, soybeans or grains for re-export. The Soviets indicated they are taking continued measures to facilitate prompt unloading and inward transport of grain. In the past three months, they achieved a rate of 190 thousand tons per day. With the steps being taken, they also expect to be able to take more during the winter

months than they previously achieved. As for the July-September 1982 quarter, the Soviets indicated the flow of imports is likely to decline but that would depend on prospects for the current Soviet crop, credit and the overall availability of funds.

"As for the year ahead, the Soviets indicated that, with a reasonably good harvest such as 200 to 210 million tons, wheat and wheat flour imports would not likely remain at the 1981-82 level. Import of feedgrains, however, could be as large or possibly even larger because of the continued emphasis being placed on maintaining herd numbers and feeding programs and also because of likely reduced dependence on imported meat.

"During the meeting, I emphasized the abundant exportable stocks of wheat, corn and other commodities now available from the U.S. and that our prices are unusually competitive with those from other origins. I also reviewed the further advantages of dependability of U.S. grain in light of our farmer prices are unusually competitive with those from other origins. I also reviewed the further advantages of dependability of U.S. grain in light of our farmer reserve policy and the unmatched ability of our marketing system to respond with prompt shipment, handling of large vessels and other services to serve the Soviet market most efficiently. I pointed out that the size of Soviet purchases, especially in the next few weeks, could be an important signal for U.S. farmers as to the size of crops they should produce in both 1982 and 1983.

"After reviewing the Soviet import situation and Soviet purchases to date of U.S. grain, it was concluded that the 23 million tons of U.S. wheat and corn which have been available to the USSR since the consultation last October remained adequate at this time for likely Soviet needs. It was agreed, however, that the two sides will remain in close contact and the U.S. indicated that, should Soviet purchases for the sixth year begin to increase sharply over the next few weeks, the U.S. would promptly propose further consultations, as provided for in the agreement, to review supply availabilities again so the agreement could avoid any possibility of serving as a limitation on trade. We also indicated we would welcome purchases of U.S. grain for delivery after Oct. 1, which could begin at any time.

"The U.S. side also noted that some recent Soviet purchases have been accompanied by private credit arrangements. We indicated that we have no problem with these arrangements, as such matters are entirely up to the purchasers and private sellers.

"The Soviets cited a number of continuing concerns about the quality of U.S. grain. We agreed to continue our work with the Soviets and grain companies in an effort to improve the arrival quality of U.S. grain.

"Under the terms of the five year U.S.-USSR Grain Supply Agreement, which began in October 1976 and was extended for a sixth year, the Soviet Union buys at least 6 million tons of U.S. grain—3 of wheat and 3 of corn—annually and, without prior consultations, may buy up to 8 million tons.

"This was the eleventh regular session of consultation under the agreement.

"The Soviet delegation was headed by Deputy Minister of Foreign Trade Boris Gordeev. We followed the same agenda covered in past consultations under the agreement."

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NEW SYSTEM PROPOSED FOR APPROVAL OF MEAT AND POULTRY LABELS

WASHINGTON, May 24—The U.S. Department of Agriculture has proposed accelerating approval of some labels on meat and poultry products by allowing USDA field inspectors to approve many routine labels that now must be cleared in Washington.

Under the proposal, USDA would also eliminate the requirement for USDA approval of some label changes.

The labels that companies could change without specific USDA approval would include simple alterations of company name, coding and other non-critical information on the label. More complex label changes would still need approval by USDA in Washington.

"The proposal represents a major effort to improve our procedures and make better use of USDA resources," said Donald L. Houston, administrator of USDA's Food Safety and Inspection Service. "It would

reduce some of the regulatory and paperwork burden imposed on the meat and poultry industry.

"Virtually all labels—about 100,000 a year—must now be approved in Washington. We estimate the proposed system will permit over 50 percent of those product labels now sent to Washington to be approved by USDA inspectors at the plant or to be exempt from specific approval," Houston said.

Some of the labels that USDA is proposing to permit inspectors to approve in the field include labels for products with only one ingredient, previously approved labels that a company modifies slightly and labels for which USDA's Washington staff has already approved a preliminary sketch.

"This doesn't mean we're lessening our efforts to ensure that products are properly labeled," Houston said. "In fact, those efforts should improve since USDA officials would devote more time to labeling issues that are particularly novel or difficult.

"USDA has long recognized the problems inherent in the current approval system," Houston said. A 1980 report by the Government Accounting Office said the system imposes unnecessary costs and red tape on the meat and poultry industry. Including mailing time, it now requires up to three weeks for some labels to be approved. The industry claims that such delays hold up product introduction, retard marketing and slow industry growth.

"This proposal would give meat and poultry producers the greater flexibility and faster label review they need to operate their businesses efficiently," Houston said.

In a 1981 pilot study of the proposed approval system, in-plant inspectors processed within one hour 90 percent of all the labels submitted to them. Based primarily on the success of this study, USDA concluded that implementing the system nationwide could save both government and industry time and money.

The Federal Meat Inspection Act and the Poultry Products Inspection Act, which are administered by USDA, require meat and poultry to be wholesome, unadulterated and properly labeled. These acts make USDA responsible for approving all labels used on federally-inspected meat and poultry products.

Anyone wishing to comment on the proposal should send their comments to: Regulations Office, Rm. 2637-S, USDA, Washington D.C., 20250. All comments must be received by Aug. 19.

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JAPAN EASES RESTRICTIONS ON CALIFORNIA PRODUCE

WASHINGTON, May 25—Secretary of Agriculture John R. Block announced today that Japanese officials have lifted restrictions on imports of California produce from areas outside of those regulated by the U.S. Department of Agriculture for Mediterranean fruit fly.

Effective today, Japan will accept quarantine boundaries as established by USDA. This means California produce originating from outside the USDA regulated areas can move to Japan without treatment. Produce from inside the regulated areas continues to be prohibited entry by Japan.

The announcement follows discussions between USDA and Japanese agricultural officials. The team, headed by Harvey L. Ford, deputy administrator of USDA's Animal and Plant Health Inspection Service, met in Tokyo to reach agreement on the extent of restrictions necessary to contain Medfly. California agriculture officials were present during the discussions.

"We are most gratified that the Japanese have come to accept the USDA quarantine boundaries," said Block. "The Japanese action is a further sign of the tremendous progress that has been made toward eradication of the Medfly."

Block said the easing of restrictions comes at an opportune time for California growers, who are just entering their major shipping season. Millions of dollars in losses to California producers have resulted from Japanese restrictions.

In January, Japan announced it would relax requirements imposed last August—requiring treatment of produce, except for lemons, from all of California—only when Medfly eradication was announced in Los Angeles and Stanislaus Counties.

Counties still falling within the USDA regulated areas include all of Santa Clara, San Mateo, and Alameda and part of Santa Cruz. Their regulated status will be evaluated through the summer. No fertile Medflies have been found in California since last November.

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NEW USDA FOOD STAMP PROGRAM REPORTING AND BUDGETING SYSTEM ANNOUNCED

WASHINGTON, May 25—A new monthly reporting and budgeting system that reduces food stamp losses and improves program administration was announced today by a U.S. Department of Agriculture official.

Assistant Secretary of Agriculture Mary C. Jarratt said the system changes the way benefits are computed and requires monthly reports of income from most participants. "This will improve the program's operation because it will base benefits on a family's actual financial status rather than anticipating what next month's status will be," Jarratt said. It is expected to save \$280 million in fiscal year 1984 when all states must have the system implemented, she said.

Many states have implemented similar systems for their Aid to Families with Dependent Children programs. The rule announced today allows states to incorporate the food stamp and AFDC systems into a single coordinated system of reporting and budgeting for both programs.

Under the system, all households except migrant households will receive monthly benefits based on their income and other circumstances in a prior month. If the use of this system of accounting causes a serious hardship on a newly applying household, a supplemental or enhanced allotment may be issued. Migrant participants will continue to get benefits based on anticipated future income.

Currently, food stamp allotments are based on participants' anticipated monthly income. If the household's income or other circumstances change during the certification period, recipients are

required to notify the food stamp office. The allotment is then adjusted to reflect changes in income or other circumstances.

This system will permit state agencies to require most food stamp participants to report their financial circumstances on a monthly basis, in order to provide an accurate assessment of a recipient's financial status. If a household fails to submit a monthly report of income, after it has been notified to do so, its food stamp benefits may be terminated.

Migrants, the elderly and disabled, all households whose income fluctuates very little, are exempt from the monthly reporting requirement. They will continue to report changes in income when they occur.

"Our old way of computing food stamp benefits didn't work well for households with fluctuating income or unpredictable changes in circumstances," said Jarratt. "Another problem was some households simply did not report changes. These households continued to receive food stamps until the food stamp office learned of the changes or until their certification periods expired. The state then had to recover any food stamp losses."

States must have the system in operation by Oct. 1, 1983. However, states that wish to use the new system before that time, may do so after the interim rule has been published.

Comments on this rule will be accepted until Sept. 22 and will be considered in developing final rules. Comments will be accepted by Christopher Martin, acting deputy administrator for family nutrition programs, Food and Nutrition Service, USDA, Alexandria, Va., 22302.

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USDA MOVES TO IMPROVE ACCOUNTABILITY IN SCHOOL LUNCH APPLICATIONS

WASHINGTON, May 25—In an effort to ensure that school lunch benefits go only to those legitimately entitled, the U.S. Department of Agriculture is proposing that states verify the information on a sampling of applications for free and reduced price lunches.

The rules, implementing the Omnibus Budget Reconciliation Act of

1981, were issued along with a companion proposal clarifying the specific information parents must provide.

"Congress initiated these changes because verification will greatly improve the integrity of the school feeding programs," said Mary Jarratt, assistant secretary for food and consumer services. "We are very concerned about the potential abuse in the school lunch program that can be caused when parents underreport their incomes on free and reduced price meal applications. We believe this regulation strikes the balance between the need we have for increased accountability without imposing excessive paper requirements on school officials," she added.

Under the verification proposal, state agencies are required to ensure that for school year 1982-83, a minimum of 3 percent or 3,000, of all applications for free and reduced price lunch, whichever is less, on file in each school food authority are verified. Verification procedures will be at state and local discretion.

"This proposal will provide a way to counter abuses in the current free and reduced-price application system," Jarratt said.

The companion proposal clarifies the information required on the application forms, including the requirement that parents must provide social security numbers for household members that are at least 21 years old.

Previously, applications for free and reduced price meals required only family size and income information. School districts could verify the information only if they could show they had reason to suspect it was false or erroneous.

The Omnibus Budget Reconciliation Act of 1981 requires that applications include the social security number of all adult household members and requires USDA to set up standards for schools to document the information on the applications.

The proposals, published in two regulations, are scheduled to appear in the May 25 Federal Register. Comments on the revised application procedures rule are due by June 24 for consideration. The comment period for the verification proposal extends through July 26.

Comments will be accepted by Stanley C. Garnett, school programs division, Food and Nutrition Service, USDA, Alexandria, Va. 22302.

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USDA ISSUES CHANGES IN SUGAR PURCHASE PROGRAM

WASHINGTON, May 27—The U.S. Department of Agriculture today issued final provisions for a sugar purchase program that include changes from regulations issued last February.

According to Secretary of Agriculture John R. Block, the purchase program covers sugar processed between Dec. 22, 1981, and March 31, 1982.

In February, USDA published interim regulations on the sugar purchase program and asked for public comment. Block said based on the comments received and on further consideration of program provisions, USDA made the following changes in the interim regulations:

- the basic purchase price of refined beet sugar was increased from 19.16 to 19.70 cents per pound;
- the specific minimum amount that processors are required to pay producers was eliminated; however, the program now requires that the proceeds received from the sale of any sugar to CCC must be accounted for and settled with the producer in accordance with the traditional contractual or other agreements between the producer and processor for the sharing of proceeds.
- the quantity of sugar a processor may sell to CCC will be limited to the minimum amount of sugar the processor had on hand between April 1, 1982, and Oct. 30, 1982, inclusive; and
- processors who file purchase agreements to sell sugar to CCC will be required to provide CCC with information concerning freight and shipping costs which will be used by CCC to develop accurate location differentials.

Details of the regulation changes are scheduled to appear in the May 28 Federal Register. The deadline for processors to file a purchase agreement is June 14.

Processors who have previously filed purchase agreements may withdraw or amend those agreements through that date, Block said.

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APPEALS COURT RULES USDA HAS JURISDICTION OVER PERDUE FARMS

WASHINGTON, May 27—The U.S. Second Circuit Court of Appeals in New York has ruled that the U.S. Department of Agriculture has jurisdiction over Frank Perdue's marketing of dressed, ready-to-cook poultry since he also is a live poultry dealer, a USDA official said today.

Perdue is chairman of the board for Perdue Farms, Inc., one of the largest poultry suppliers on the east coast.

"On May 20, the court, in a 2-1 decision, upheld a U.S. District Court ruling that Perdue is subject to the Packers and Stockyards Act as a live poultry dealer, although live poultry comprises less than one percent of his total sales," said James Smith, deputy administrator of the Packers and Stockyards Administration.

"The ruling follows Perdue's appeal from a July 1981 ruling by the U.S. District Court for the Eastern District of New York," Smith said. "While holding for USDA on the jurisdictional issue, the district court was not asked to rule on the merits of USDA's complaint filed through the Justice Department in February 1981."

The complaint charged that, beginning in 1976 and continuing until the complaint was filed, Perdue violated the Packers and Stockyards Act by threatening to cut off supplies of Perdue brand poultry to food distributors in the metropolitan New York City area who refused to stop handling a rival brand.

The complaint also charged that in at least one instance, the threats were carried out. USDA alleged that Perdue's actions constituted "unfair, unjustly discriminatory or deceptive practices" in violation of the Packers and Stockyards Act, and were "engaged in for the purpose or with the effect of restraining commerce."

Writing for the court, Circuit Judge Lawrence W. Pierce said Perdue had failed to show through either the legislative history of the Packers and Stockyards Act or the history of agency interpretation, "any indication that Section 202 of the act does not reach the slaughtered poultry activities of live poultry dealers. . . Perdue's slaughtered poultry sales, therefore, are covered by Section 202 of the act, regardless of the

fact that its live poultry sales comprise only 0.5 percent of its gross sales."

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